

1998 S Corporation Election or Termination/Revocation**3560**

Effective for income year beginning month _____ day _____ year _____, and ending month _____ day _____ year _____.

Part I		Part II
California corporation number	Federal employer identification number	Check the applicable box. See instructions. <input type="checkbox"/> 1. Report a new federal S corporation election. <input type="checkbox"/> 2. Elect to remain or to become a California C corporation. <input type="checkbox"/> 3. Elect California S corporation status by a federal S corporation. <input type="checkbox"/> 4. Report a federal S corporation termination/revocation. <input type="checkbox"/> 5. Terminate (revoke) California S corporation status only. <input type="checkbox"/> 6. Correct an untimely or invalid S corporation election or an inadvertent termination.
Corporation name		
Address		
City	State ZIP Code	

Part III	
A. Federal tax year ending (month and day)	C. Principal business activity code
B. California income year ending (month and day)	Principal product or service
D. Date of federal election or California revocation (mo., day and year)	F. State of incorporation
E. Date of incorporation (mo., day and year)	G. Date of qualification in California (mo., day and year)

H. Is the corporation a continuation of any form of predecessor? ☐ Yes ☐ No
 If "Yes," state name of predecessor, type of organization, period of its existence and California corporation number, if any ► _____

I. Selected income year: Annual return will be filed for income year ending (month and day) ► _____
 The selected income year must be a permitted income year. See Specific Line Instructions.

J. Name of each shareholder, person having a community property interest in the corporation's stock, and each tenant in common, joint tenant and tenant by the entirety, on the date of the election. A husband and wife (and their estates) are counted as one shareholder in determining the number of shareholders, without regard to the manner in which stock is owned.	K. Shareholders' Consent Statement. We, the undersigned shareholders, consent to the corporation's election to be treated as: <input type="checkbox"/> an "S corporation" under R&TC Section 23801(a)(4) (IRC Section 1362(a)). <input type="checkbox"/> a "C corporation" under R&TC Section 23801(a)(4) or 23801(f) (IRC Section 1362(d)). (Shareholders must sign and date below)* Signature _____ Date _____	L. Stock owned		M. Social security number or federal employer identification number	N. Shareholder's taxable year end (month and day)
		Number of shares	Dates acquired		

Attach additional sheets if necessary.

* For the consent statement of a shareholder to be valid, the consent statement of each shareholder's spouse having a community property interest in the corporation's stock, and each tenant in common, joint tenant and tenant by the entirety must either appear above or be attached to this form with each of the above party's signatures.

Part IV

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of officer ► _____

Title	Date	Telephone ()
-------	------	-----------------------

Instructions for Form FTB 3560

S Corporation Election or Termination/Revocation

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

General Information

A corporation that elects federal S corporation status by filing federal Form 2553, Election by a Small Business Corporation, is deemed to have made a California S corporation election on the same date as the federal election. The corporation must report the federal S corporation election to the Franchise Tax Board (FTB) by filing form FTB 3560, S Corporation Election or Termination/Revocation.

The corporation should refer to federal Form 2553 for information on who may elect S corporation status, taxes that an S corporation may owe, effective date of election and shareholders' consent statements. Also, get the Form 100S, S Corporation Tax Booklet, for information on California filing requirements and S corporation tax.

Correcting a Federal Election

If for any income year beginning on or after January 1, 1987, a corporation failed to qualify as an S corporation solely because it did not file federal Form 2553 timely, the S corporation shall be treated as an S corporation for California purposes for the income year in which the federal election was originally made and for each subsequent income year if both of the following conditions are met:

- The corporation and all of its shareholders reported their income for California tax purposes on original returns consistent with S corporation status for the year the S corporation election should have been made, and for each subsequent income year (if any) until terminated; and
- The corporation and its shareholders filed a federal Form 2553 with the IRS requesting automatic relief with respect to the late S corporation election in full compliance with federal Rev. Proc. 1997-48 I.R.B. 1997-43 and the S corporation received notification of acceptance of the untimely filed S corporation election from the IRS.

Notify the FTB of the IRS acceptance of the untimely filed election. Follow the guidelines in Specific Line Instructions, Part II, box 6, correct an untimely or invalid S corporation election or an inadvertent termination.

A Purpose

This form is used to:

- Report a new federal S corporation election, (box 1);
- Elect to remain a California C corporation when a federal S election is made, or to become a California C corporation when the corporation has been a California S corporation, (box 2);
- Elect California S corporation status by a federal S corporation that previously

elects to remain a California C corporation, (box 3);

- Report a federal S corporation termination or revocation, (box 4);
- Terminate a California S corporation election by revocation without terminating the federal S corporation election, (box 5); or
- Correct an untimely or invalid S corporation election, (box 6).

B Where to File

Mail form FTB 3560 to:

FRANCHISE TAX BOARD
PO BOX 942857
SACRAMENTO CA 94257-0540

C California S Corporations with Nonresident Shareholders

The following must be provided with the tax return filed for each income year:

- A statement of consent by each nonresident shareholder to be subject to tax on the shareholder's pro rata share of income attributable to California sources; and
- A list of shareholders.

The FTB may have grounds for retroactive revocation of the S corporation status if the above information is not provided. Get form FTB 3830, S Corporation's List of Shareholders and Consents, for more information.

Specific Line Instructions

Enter the beginning and ending dates of the first income year for which the election is to be effective.

Part I

Entity Information

Enter the true corporate name as stated in the corporate charter or other legal document creating it. If the corporation's mailing address is the same as someone else's, such as a shareholder's, enter "c/o" and this person's name following the name of the corporation. Include the suite, room or other unit number after the street address. If the Post Office does not deliver to the street address and the corporation has a PO Box, show the box number instead of the street address.

Include the California corporation number and the Federal Employer Identification Number to ensure proper handling.

Part II

Box 1 – Report a new federal S corporation election

An election to be treated as a federal S corporation is deemed to be a California S corporation election, unless the corporation elects

otherwise. See Specific Line Instructions, Part II, box 2, for more information.

Since a corporation is deemed to be a California S corporation if the federal S election is timely filed, the form FTB 3560 should be provided to the FTB for informational purposes only. Form FTB 3560 should be filed even if it is after the 15th day of the 3rd month of the income year. If an existing federal S corporation qualifies to do business in California during its income year, it should file the form FTB 3560 within 2½ months of registering with the California Secretary of State (SOS). There is no penalty for filing form FTB 3560 late.

See IRC Sections 1361, 1362 and 1378 and federal Form 2553, for information on valid federal S corporation elections.

To report a new federal election, or report a California S election for a federal S corporation that qualifies to do business in California, complete Part I; Part II, box 1; Part III and Part IV. Attach a copy of federal Form 2553 to the form FTB 3560.

Box 2 – Elect to remain or to become a California C corporation (will be treated as a revocation)

This is an election to remain a California C corporation when a federal S election is made, or to become a California C corporation when the corporation has been a California S corporation.

Under California law, a federal S corporation is a California S corporation unless the corporation properly elects otherwise. If a federal S corporation incorporated or qualified to do business in California wants to avoid California S corporation status, it may elect California C corporation status.

The time to elect California C corporation status ends on the 15th day of the 3rd month of the income year for which the election is to be effective. If timely made, the election is effective at the beginning of the income year.

Note: An untimely election to be a C corporation for California purposes shall be null and void and shall not be effective for any income year.

If an existing federal S corporation subsequently qualifies to do business in California, the corporation will be a California S corporation unless it elects to be a C corporation for California purposes. The California C corporation election must be filed on or before the 15th day of the 3rd month of the income year for which the election is to take effect. If the corporation qualifies to do business in California after the election deadline has passed, the corporation will be an S corporation for California purposes. However, the California S corporation status may be revoked by specifying

ing a prospective date that is on or after the date the corporation qualifies to do business in California. See Specific Line Instructions, Part II, box 5 for more information.

Note: An untimely, invalid or inadvertent election to be a California C corporation cannot be corrected retroactively. See R&TC Section 23801(a)(4)(F)(ii), for more information.

If the S corporation status is terminated during an income year, short period returns are required for the S corporation short year and the C corporation short year.

To report a California C corporation election, complete Part I, and check Part II, box 2 (not box 5); complete Part III, columns J, K and L, and Part IV. See instructions for Part III, column J and column K to determine shareholders that must consent to the C corporation election.

Box 3 – Elect California S corporation status by a federal S corporation

A federal S corporation that previously elected to become a California C corporation may elect to become a California S corporation as long as the California C corporation election (which is treated as a revocation) was not made within the past 5 income years, or a prior California S corporation status was not terminated or revoked within the past 5 years. See Specific Line Instructions, Part II, box 4, for more information.

The election to become a California S corporation must be made on or before the 15th day of the 3rd month of the income year for which the election is to take effect or at any time during the prior income year.

A California C corporation, that is a federal S corporation, may make a California S corporation election by completing Part I; Part II, box 3; Part III; and Part IV.

Box 4 – Report a federal S corporation termination/revocation

A termination/revocation of a federal S election simultaneously terminates the S corporation election for California purposes. A corporation's federal S corporation status will be terminated if it ceases to be a small business corporation or violates the passive investment income restrictions for corporations with earnings and profits. If the corporation's federal S status is terminated, the California S corporation status terminates on the same date.

The federal S corporation election may also be terminated by revocation. An S corporation election may be revoked only if shareholders holding more than one-half of the shares of stock in the corporation on the day the revocation is made consent to the revocation. A revocation that is made on or before the 15th day of the 3rd month of the income year shall be effective on the 1st day of that income year. A revocation made after the 15th day of the 3rd month of the income year shall be effective on the 1st day of the following

income year. However, a revocation may also specify a prospective date, on the form FTB 3560, that is on or after the date the revocation is made.

If the S corporation status is terminated or revoked during an income year, short period returns are required for both the S corporation short year and the C corporation short year.

If S corporation status has been terminated or revoked, the corporation or former S corporation is not eligible to make another S corporation election for any taxable year before the 5th taxable year that begins after the 1st taxable year in which the termination/revocation is effective. See IRC Section 1362(g) for more information.

However, terminations made in an income year beginning before January 1, 1997 shall not be taken into account and the corporation can re-elect S status without waiting 5 years.

To report a federal termination to the FTB, complete Part I and Part II, box 4. If the S corporation status has been terminated, the corporation should attach a copy of this form and the federal notification of termination to the California tax return for the year in which the termination occurs.

If the corporation is revoking its S corporation status for both federal and California purposes, the corporation should file form FTB 3560 with the FTB at the same time that it files the federal statement of revocation with the IRS. The corporation should attach a copy of the federal revocation that includes the consent of shareholders holding more than 50% of the corporation's stock.

Box 5 – Terminate (revoke) a California S corporation status only

An S corporation may terminate its S corporation status for California by revocation, without terminating its federal S corporation status. Generally, the California S corporation status may be revoked for an income year if the election to revoke is made on or before the 15th day of the 3rd month of the income year for which the revocation is to be effective. An election to revoke California S corporation status made after the 15th day of the 3rd month of the income year will be effective as of the 1st day of the following income year.

If an existing federal S corporation, qualifies to do business in California after the 15th day of the 3rd month of its income year, the corporation will be an S corporation for California purposes. If the corporation wishes California C corporation status to become effective during the income year in which it qualifies to do business in California, it must revoke its S corporation status for California purposes by specifying a prospective date on the form FTB 3560. The corporation can specify a prospective date on the form FTB 3560 that is on or after the date the revocation is made.

To terminate the S corporation status for California, complete Part 1; Part II, box 5; Part III, column J, column K and column L; and

Part IV. See instructions for Part III, column J and column K, shareholder's consent statement, to determine shareholders that must consent to the termination of revocation of S corporation status. Specify the prospective date in Part III, box D.

Box 6 – Correct an untimely or invalid S corporation election or an inadvertent termination

In limited circumstances, the law permits retroactive correction of an inadvertent invalid election of S corporation status for income years beginning on or after January 1, 1987. If a corporation failed to qualify as an S corporation for federal income tax purposes solely because the federal election was not timely filed, the corporation shall be treated as an S corporation for California tax purposes if both of the following requirements are met:

- The corporation and its shareholders requested relief with respect to the late federal S corporation election, and the relief was granted by the IRS; and
- The corporation and all of its shareholders reported their income for California tax purposes on original returns consistent with S corporation status for the year the S corporation election should have been made and for each subsequent income or taxable year.

For income years beginning on or after January 1, 1997, if a federal S corporation election was not effective for the income year in which it was made because:

- All the required shareholder consents were not obtained;
- The corporation ceased to be a small business corporation; or
- Passive investment income exceeded 25% of gross receipts for 3 consecutive years.

Such inadvertent invalid election or termination may be eligible for retroactive correction.

The corporation shall be treated as an S corporation during the period for which relief is requested provided that:

- The circumstances resulting in the ineffectiveness or termination of the S corporation status were inadvertent;
- The corporation takes reasonable steps to remedy the circumstances causing such ineffectiveness or termination; and
- The corporation and its shareholders that held stock during the termination period agree to make any adjustments required that are consistent with the treatment of the corporation as an S corporation. See IRC Section 1362(f) for more information.

To correct an untimely or invalid S corporation election or an inadvertent termination, complete Part I; Part II, box 6 and Part IV. Attach a schedule with each shareholder's signature and the following statement, "I (we) agree to make adjustments as necessary that are consistent with the treatment of the corporation as an S corporation."

Part III

Box C – Principal business activity (PBA), principal product and service

Use the PBA Code Chart in the instructions for the 1998 Form 100S, California S Corporation Tax Booklet. **Note:** The new PBA codes are 6 digits not 4 digits. **DO NOT** leave blank. Also, describe the principal product or service provided by the corporation.

Line I – Selected income year

The income year of an S corporation must be a permitted income year. A permitted income year is an income year ending on December 31 or any other income year for which the corporation satisfactorily establishes a business purpose.

The California income year of an S corporation may not be different than the federal tax year, unless such difference is initiated or approved by the FTB.

Column J and Column K – Shareholder's consent statement

If the corporation checked Part II, box 1 or box 3, each shareholder of the corporation on the day the election is made must consent to the election.

If the corporation checked Part II, box 2 or box 5, shareholders holding more than 50% of the shares of stock on the date the revocation is made must sign the consent. List all shareholders in column J and provide signatures evidencing consent from more than 50% of the total shares of stock listed in column K.

For the consent statement of a shareholder to be valid, the shareholder's signature must be accompanied by the consent of the share-

holder's spouse having a community property interest in the S corporation stock. **Note:** California is a community property state.

Column L – Stock owned

If the election is made during the first 2½ months of the corporation's first income year for which the election is to take effect as an S corporation, list only the shares of stock for those shareholders who own shares of stock on the date of the election. However, any person who owned stock at any time during the portion of that year which occurs before the time the election is made must consent to the election even though the stock has been sold or transferred.

Column N – Shareholder's taxable year end

If a shareholder's taxable year end has changed, enter the new taxable year. If the election is made during the first 2½ months of the corporation's first income year for which the election is to take effect as an S corporation, the corporation does not have to enter the taxable year of shareholders who sold or transferred all of their stock before the election was made, even though the transferring shareholders still must consent to the election for it to be effective for the income year.

Where to Get Income Tax Forms and Publications

By Internet – If you have Internet access, you may download, view and print 1994 through 1998 California tax forms and publications. Our Internet address is:
<http://www.ftb.ca.gov>

By phone – Use F.A.S.T. to order 1998 bank and corporation tax forms and publications. Call (800) 338-0505 and follow the recorded instructions. To order forms, F.A.S.T. is available from 6 a.m. to 6 p.m. Monday through Friday, except state holidays. Please allow 2 weeks to receive your order. If you live outside of California, please allow 3 weeks to receive your order.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

General Toll-Free Phone service

Between January 4 – April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 6 a.m. until midnight; and
- Saturday, 8 a.m. until 5 p.m.

After April 15, 1999, our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.

The best times to call are before 10 a.m. and after 6 p.m. All times listed are Pacific Standard Time (PST).

From within the	
United States	(800) 852-5711
From outside the	
United States	(916) 845-6500 (not toll-free)
For hearing impaired	
with TDD	(800) 822-6268